

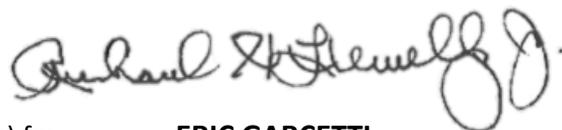
TRANSMITTAL

To: **THE COUNCIL**

Date: **09/13/21**

From: **THE MAYOR**

TRANSMITTED FOR YOUR CONSIDERATION. PLEASE SEE ATTACHED.

A handwritten signature in black ink, appearing to read "Eric Garcetti". The signature is written in a cursive, flowing style.

(Rich Llewellyn) for

ERIC GARCETTI
Mayor



Eric Garcetti, Mayor
Abigail R. Marquez, General Manager
Community Investment for Families Department

September 7, 2021

Council File: 21-0717; 20-0600-S83
Council District: Various
Contact Persons: Veronica McDonnell: 213-928-9060
Abigail Marquez: 213-808-8462

Honorable Eric Garcetti
Mayor, City of Los Angeles
Room 303, City Hall
200 N. Spring Street
Los Angeles, CA 90012

Attention: Heleen Ramirez, Legislative Coordinator

**COUNCIL TRANSMITTAL: REPORT BACK REGARDING THE STATUS OF THE
GUARANTEED BASIC INCOME (GBI) PROGRAM PILOT**

SUMMARY

In accordance with Executive Directive No. 3, the General Manager of the Community Investment for Families Department (CIFD) respectfully requests that your office review and approve this transmittal and forward it to the City Council for further consideration. Through this transmittal, CIFD provides an update regarding the status of the GBI pilot program and respectfully requests that the Mayor and the City Council approve CIFD's recommendations to move the program forward.

RECOMMENDATIONS:

- I. That the Mayor review this transmittal and forward to the City Council for further action.
- II. That the City Council, subject to the approval of the Mayor:
 - A. **AUTHORIZE** the transfer of administration of the GBI program from the Los Angeles Housing Department (formerly Housing and Community Investment Department) to the Community Investment for Families Department. The GBI program shall be administered as a Public Assistance Benefit Program.
 - B. **AUTHORIZE** the CIFD General Manager to collaborate with the Office of Finance to establish a Special Bank Account for the disbursement of GBI funds as public assistance benefit to eligible recipients.

- C. **AUTHORIZE** resolution authorities for the following positions to support the implementation of the GBI program:

<u>Class Code</u>	<u>Class Title</u>	<u>No. of Positions</u>
9184	Management Analyst	2
1502	Student Professional Worker	2

- D. **AUTHORIZE** the City Controller to:

1. Establish a new fund entitled “Public Assistance Benefit Program Fund - GBI” for the receipt and disbursement of General Fund appropriations that are intended for the GBI program and activities.
2. Establish accounts within the new Public Assistance Benefit Program Fund- GBI and transfer appropriations from the following funds and accounts:

<u>Fund/Dept</u>	<u>Account</u>	<u>Amount</u>
100/58	580349 – Basic Income Guaranteed L.A. Economic Assistance Pilot	\$27,435,078.00
49N/43	43TA88 – Universal Basic Income- CD6	1,181,202.50
49N/43	43TA89 – Universal Basic Income- CD10	400,000.00
49N/43	43TA98 – Universal Basic Income- CD8	3,425,000.00
49N/43	43TA99 – Universal Basic Income- CD9	6,000,000.00
49N/43	43VB47 – Research and Design Services	3,983,403.00

3. Establish the following account within the new Public Assistance Benefit Program Fund- GBI and appropriate funds from the Unappropriated Balance line item (100/58/580349):

<u>Fund/Dept</u>	<u>Account</u>	<u>Amount</u>
New/21	21V121 – Community Investment for Families	\$204,364
New/21	21V143 – LA Housing Department	26,155

Increase appropriations within the CIFD General Fund No. 100/21 as follows: 001010 Salaries General- \$174,364; and 001070 Salaries as Needed- \$30,000

Increase appropriation within the LAHD General Fund No. 100/43 as follows: 006030 Leasing- \$26,155.

- E. **AUTHORIZE** the General Manager of CIFD, or designee, to prepare Controller instructions and/or make any technical adjustments that may be required and are consistent with the intent of this action with the approval of the City Administrative Officer (CAO) and instruct the Controller to implement these instructions.

BACKGROUND

The Council and Mayor designated the newly approved Community Investment for Families Department (CIFD) to design and implement the GBI program as a public assistance benefit program. On June 14, 2021, the Mayor and City Council approved a proposed framework for a Guaranteed Basic Income Pilot Program (C.F. No. 21-0717) as well as various actions relative to implementing the program. The CAO's report dated June 24, 2021, requested a report back to Council and Mayor regarding the status of the program pilot within 30 days.

LA GBI PROGRAM STATUS UPDATE

The City of Los Angeles' GBI program began implementation in July 2021. The University of Pennsylvania's Center For Guaranteed Income Research (CGIR) has been identified as the research partner to conduct the GBI program evaluation. In addition, MoCaFi was selected as an existing city financial partner to assist with the disbursement of cash payments through their Immediate Response Incentive accounts. CIFD staff is actively working with the University of Pennsylvania and coordinating with the research partner, CGIR, to develop an online application portal. Staff is also working to respond to the City Council's information requests including: how to not impact participants' reportable income, inadvertently disqualifying them from other support service(s); processing benefits waivers with L.A. County's Department of Public and Social Services (DPSS); coordinating with L.A. County and California State GBI programs; illustrating the need for additional staff resources; and transferring program administration from HCIDLA to CIFD.

Program Timeline

In the month of September, CIFD and CGIR are planning to provide an orientation of the online application and the selection criteria with community based organizations that are interested in supporting outreach. At least two weeks after, the application period will open and accept applications for one week in order to provide ample time for applicants to submit their information after business hours and over a weekend. In late September or early October, applicants will be randomly selected according to the approved criteria. In October, selected applicants will be notified to upload eligibility documentation, or schedule an appointment for assistance in uploading eligibility documents. The City of Los Angeles will also submit waiver requests to DPSS for the selected participants to ensure participants' increase in income does not decrease or jeopardize the assistance received from other programs. In November, staff and research partners will provide follow-up with the applicants selected, where FamilySource Centers will review and certify eligibility as well as provide benefits counseling. Participants selected will complete paperwork for cash payment disbursements and arrange immediate transfer to their personal bank accounts if they have an existing banking relationship they prefer to use. It is expected that in late November to early December the City of Los Angeles will begin to issue the first monthly cash disbursements. After initial disbursements are made, staff will continuously support partners and over 3,000 participants with technical assistance as well as troubleshoot any issues that may arise.

Reportable Income

As mentioned above, the CIFD has fielded questions and concerns regarding the unintended or deleterious impact of a guaranteed basic income for participants vis-a-vis other government benefit programs. To this end, the CIFD is working with the City Attorney to exempt the City's guaranteed basic income received via this program by participants, to the extent permissible under state and federal law, from being

considered income for eligibility and benefit amount determination purposes for specified public social services, programs, and financial aid. Preliminary analysis has indicated that both the IRS General Welfare Exclusion and the Disaster Relief Exception under Section 139 of the IRS Code may support this effort.

According to IRS Notice 2012-75, which describes the welfare exclusion, the City would need to implement a process where the recipient establishes need through documentation. This requirement is included in the selection and vetting process for the GBI program. Participants must both fall within the income guidelines and verify they have been impacted by COVID. The Disaster Relief Exception under Section 139 of the IRS Code excludes payments that are received by an individual as a qualified disaster payment from a gross income calculation program qualification and participation. A qualified disaster payment includes payments, "paid by a Federal, State, or local government, or agency or instrumentality thereof, in connection with a qualified disaster in order to promote the general welfare." A qualified disaster includes, among others:

- (a) a federally declared disaster (as defined by section 165(i)(5)(A) - any disaster determined by the President of the United States to warrant assistance by the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act); and
- (b) a disaster which is determined by an applicable Federal, State, or local authority (as determined by the Secretary) to warrant assistance from the Federal, State, or local government or agency or instrumentality thereof.

The federal government has determined that COVID was and is a qualifying disaster within all 50 states. This section codifies the administrative welfare exemption as it relates to disaster payment, so the City would likely have to document the "need" of the recipient, which it will through the program onboarding process. One potential issue in relying on Section 139 is a question of longevity. It's uncertain how long the COVID disaster declaration will last. The GBI program is set to sunset at the end of 2022. If the COVID disaster declaration expires before then, Section 139 will not be sufficient. The City will therefore need to rely on the general welfare exemption alone to exclude the payment as a reportable income payment. The welfare exemption will require the City to approve the creation of a public assistance benefit program and create a special revenue fund for the disbursement of GBI funds for eligible recipients. This transmittal includes a request for approval to create the public assistance benefit program and the special revenue fund.

Benefit Waivers

An L.A. County DPSS report dated July 13, 2021, outlines the process for requesting income waivers for Guaranteed Income programs (GI). The DPSS is the county department that administers benefits such as CalWORKs and CalFresh. The City of Los Angeles aims to ensure that GBI program participants don't face a "benefits cliff" where increasing their income would result in decreased assistance from other sources. The County is establishing a process to waive GI for these programs.

The DPSS's recommendation is that any city implementing a GI program should submit a letter to the L.A. County DPSS to request approval to waive GI from the CA Department of Social Services (CDSS). Demonstration (or pilot) projects requesting to have the GI excluded from public benefit programs will require a formal order adopted by the Director of CDSS. According to the report, this will require the following:

1. Provide a brief overview of the needs-based problem that the demonstration project seeks to address.

2. Publish a comprehensive plan, including the analysis of expected costs, in a newspaper of general circulation.
3. Identify the indicators that will be used to monitor and evaluate the demonstration project's outputs, effectiveness and performance outcomes.
4. Submit a copy of the comprehensive plan with a formal request to waive income to the Director of CDSS.
5. In collaboration with CDSS, submit a copy of the comprehensive plan to the Rules Committees of each house of the legislature.
6. In collaboration with CDSS, obtain review and approval through the CA Health and Human Services Agency's (CHHSA's) Committee for the Protection of Human Subjects (CPHS).
7. Upon waiver approval, the demonstration project must work with DPSS to ensure the income is waived and the CalWORKs cases are appropriately documented.

The CIFD staff are continuing to work with L.A. County about this process and have already initiated the waiver request process for the City's GBI program.

L.A. County GI Program(s)

The County of Los Angeles has approved motions to implement two separate Guaranteed Income pilot programs. On May 18, 2021, the County of Los Angeles' Board of Supervisors approved the motion to create the first Guaranteed Income Pilot Program. The pilot program plans to provide monthly payments to at least 1,000 county residents for a three-year period. The program will prioritize county residents that are women living at or below the poverty level who were released from incarceration in the last seven years, transition age youth (TAY) who are the head of household and/or domestic violence survivors who are the heads of their household with a monthly income support of \$1,000. ¹

Additionally, on July 27, 2021, the County of Los Angeles' Board of Supervisors approved a second pilot program to provide \$1,204 (\$1,000 for Guaranteed Income and \$204 for CalFresh) to 150 transition aged youth (TAY) individuals aged 18-24 that are currently receiving General Relief benefits. The program is currently under development and L.A. County is expected to submit a detailed plan within 45 days of the motion approval. ²

CA State GI Program

On July 16, 2021, Governor Gavin Newsom signed Assembly Bill No. 153 (AB 153), which requires the CDSS to administer the California Guaranteed Income Pilot Program. The program, which received \$35M in funding in this year's State budget, will provide grants to help administer guaranteed income pilot programs. The CDSS will prioritize providing funding to pilots that serve California residents who age out of foster care or who are pregnant. The program will run through July 1, 2026 and funding will be available to entities, including cities.

Currently under consideration for grant parameters are that the entity receiving funds must show commitments of additional funding from non-governmental sources equal to or greater than 50% of the amount of funding to be provided by the State. The entity must also assist the State in obtaining all available exemptions or waivers to ensure that guaranteed income payments made under State-backed pilots are not considered income or resources for recipients or any member of their household in any means-tested federal, state, or local public benefit programs. AB 153 also notes that State-backed pilot

¹ <https://file.lacounty.gov/SDSInter/bos/supdocs/158342.pdf>

² <http://file.lacounty.gov/SDSInter/bos/supdocs/160431.pdf>

payments shall not be considered income or resources for purposes of determining an individual's, or any member of their household's, eligibility for benefits or assistance, or the amount or extent of benefits or assistance, under any state or local benefit or assistance program.

PROGRAM AND BUDGET

The largest guaranteed basic income program in the nation will require additional staff support to effectively manage the implementation and evaluation of this pilot program. The City of Los Angeles' GBI program provides an opportunity for the City to influence policy and bolster the growing evidence that unrestricted economic support can effectively address poverty and income inequality. The GBI team will manage contracts, community engagement with a broad coalition of partners, develop a marketing and outreach plan, prepare correspondence for Council, and will enroll and engage over 3,000 families to receive the \$1000 monthly, unconditional cash transfer. This CIFD commitment also includes an assurance that each participant receives benefits counseling as well as supporting coordination with an additional 3,500+ families that will serve as a control group for research purposes. It is imperative for CIFD to secure additional staff support to ensure the transparency, inclusivity, and validity of this work. A GBI program of this magnitude requires at a minimum, two Management Analysts and two part-time Student Professional Workers to assist with implementing the program and gathering the data needed for research and evaluation. Responsibilities of the proposed positions include:

- **Management Analyst (2 Positions)** - The Management Analysts will work under the direction of the Senior Project Coordinator to oversee the day-to-day functions of the GBI program. This includes, but is not limited to: assisting with program development and implementation of the GBI program, working with a researcher to collect and analyze GBI-related data, working with management to highlight GBI program features and successes through social media, journals, presentations, and assisting in preparing transmittals and reports detailing the progress of the GBI program for Mayor, City Council, and department management. A total of \$200,519 is requested to support staffing and leasing costs for two Management Analysts.
- **Student Professional Worker (2 positions)** - These staff members will support the program by assisting with the development of materials for program partners; providing technical assistance, training, and responses to applicant and community stakeholder GBI questions and concerns; assisting with program marketing and outreach; assisting in the facilitation of participant enrollment into the GBI program; and preparing and submitting routine correspondence and statistical and narrative reports for review and approval. A total of \$30,000 is requested for two Student Professional Workers authorized to work a maximum of 1,040 hours each, annually.

CIFD Program Administration

The proposed framework of the GBI program as well as various other actions relative to the implementation of the program was approved by the Mayor and Council on June 14, 2021 under CF No. 21-0717. However, the ordinance creating CIFD was effective August 8, 2021. This transmittal formalizes the transfer of administration of the GBI program from the Los Angeles Housing Department (formerly HCIDLA) to the Community Investment for Families Department.

This transmittal includes recommendations to consolidate all previous funding actions adopted by the Mayor and Council into a new fund to be created entitled, "Public Assistance Benefit Program Fund – GBI." These actions are as follows:

1. FY 2021-22 Adopted Budget Unappropriated Balance – \$27,665,597.00
2. CF No. 20-0600-S83 CD6 – \$1,181,202.50
3. CF No. 20-0600-S83 CD10 – \$400,000.00
4. CF No. 21-0694 CD8 – \$3,425,000
5. CF No. 20-0600-S83 CD9 – \$6,000,000

FISCAL IMPACT STATEMENT

The \$27,665,597 was appropriated from the Fund No. 100/58 Basic Income Guaranteed: LA Economic Assistance Pilot Account 580349; the funds from CD 6, CD 9 and CD 10 were appropriated from the UB Reinvestment Account; and the funds from CD 8 was appropriated from FY 21 General City Purposes. These funds will be utilized to implement the program from July 1, 2021 - December 31, 2022.



ABIGAIL R. MARQUEZ
General Manager

AM:LS:VM:CR